

**CITY OF AUDUBON**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2012**

## Table of Contents

|   | <u>Page</u>     |
|---|-----------------|
| Officials   | 3               |
| Independent Auditors' Report  | 5-6             |
| Management's Discussion and Analysis  | 7-11            |
| Basic Financial Statements:   | <u>Exhibit</u>  |
| Government-wide Financial Statement:  |                 |
| Statement of Activities and Net Assets – Cash Basis   | A 13-14         |
| Governmental Fund Financial Statements:   |                 |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances  | B 15-16         |
| Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets  | C 17            |
| Proprietary Fund Financial Statements:  |                 |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances  | D 18            |
| Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets  | E 19            |
| Notes to Financial Statements   | 21-30           |
| Other Information:  |                 |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds  | 32-33           |
| Notes to Required Supplementary Information – Budgetary Reporting   | 34              |
| Supplementary Information:  | <u>Schedule</u> |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds   | 1 36            |
| Schedule of Indebtedness  | 2 37-38         |
| Bond and Note Maturities  | 3 39-40         |
| Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds   | 4 41-42         |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 44-45           |
| Schedule of Findings  | 46-48           |

**City of Audubon**

**Officials**

| <u>Name</u>      | <u>Title</u><br><b>(before January 2012)</b> | <u>Term Expires</u> |
|------------------|--|---------------------|
| Clark Kauffman   | Mayor  | January 2012        |
| Robert Jacobsen  | Council Member                               | January 2012        |
| John Whetzal     | Council Member                               | January 2012        |
| Delyte Borkowski | Council Member                               | January 2014        |
| Andy Griffith    | Council Member                               | January 2014        |
| Teresa Murray    | Council Member                               | January 2014        |
| Lora Hansen      | City Clerk                                   | Indefinite          |
| Lance Levis      | Attorney                                     | Indefinite          |

| <u>Name</u>      | <u>Title</u><br><b>(After January 2012)</b> | <u>Term Expires</u> |
|------------------|---|---------------------|
| Clark Kauffman   | Mayor                                       | January 2016        |
| Delyte Borkowski | Council Member                              | January 2014        |
| Andy Griffith    | Council Member                              | January 2014        |
| Teresa Murray    | Council Member                              | January 2014        |
| Robert Jacobsen  | Council Member                              | January 2016        |
| John Whetzal     | Council Member                              | January 2016        |
| Lora Hansen      | City Clerk                                  | Indefinite          |
| Lance Levis      | Attorney                                    | Indefinite          |

**City of Audubon**



Diane McGrain, CPA  
Jim Menard, CPA

November 18, 2012

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Audubon, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Audubon's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Audubon as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

omni business centre  
300 west broadway, suite 41  
council bluffs, iowa 51503  
712•322•8734 / fax 712•322•4699  
www.schroer-cpa.com

Independent Auditors' Report  
City of Audubon

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 18, 2012 on our consideration of the City of Audubon's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Audubon's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. Supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Audubon's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 11 and 32 through 34 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Schroeder & Associates, P.C.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Audubon provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2012 FINANCIAL HIGHLIGHTS**

- The City's total receipts for governmental activities decreased approximately \$292,000 from fiscal year 2011 to 2012. Operating grants decreased \$210,000, and property taxes decreased \$61,000.
- Disbursements of the City's governmental activities decreased approximately \$48,000 from fiscal year 2011 to 2012. Public safety increased \$54,000, public works increased \$35,000, and general government decreased \$166,000.
- The City's total cash basis net assets decreased approximately \$153,000 from June 30, 2011 to June 30, 2012. Of this amount, the assets of governmental activities decreased approximately \$106,000 and the assets of the business type activities decreased approximately \$47,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.
- Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable, and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principals. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: General Fund, Special Revenue Funds, (such as Road Use Tax and Local Option Sales Tax), Debt Service Fund and the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash basis balance for governmental activities decreased from a year ago, from \$1,073,955 to \$966,938. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

| Changes in Cash Basis Net Assets of Governmental Activities<br>(Expressed in Thousands) |                     |       |
|---|---------------------|-------|
|   | Year ended June 30, |       |
|   | 2012                | 2011  |
| Receipts:   |                     |       |
| Program receipts:   |                     |       |
| Charges for service   | \$ 264              | 261   |
| Operating grants, contributions and restricted interest                                 | 387                 | 597   |
| General receipts:   |                     |       |
| Property tax  | 835                 | 896   |
| Tax increment financing   | 45                  | 46    |
| Local option sales tax  | 149                 | 161   |
| Grants and contributions not restricted to specific purpose                             | 4                   | 3     |
| Unrestricted interest on investments  | 1                   | 1     |
| Other general receipts  | 9                   | 21    |
| Total receipts  | 1,694               | 1,986 |
| Disbursements:  |                     |       |
| Public safety   | 404                 | 350   |
| Public works  | 729                 | 694   |
| Health and social services  | 1                   | -     |
| Culture and recreation  | 273                 | 247   |
| Community and economic development  | 55                  | 51    |
| General government  | 137                 | 303   |
| Debt service  | 251                 | 253   |
| Total disbursements   | 1,850               | 1,898 |
| Change in cash basis net assets before transfers  | (156)               | 88    |
| Transfers, net  | 50                  | 50    |
| Change in cash basis net assets   | (106)               | 138   |
| Cash basis net assets beginning of year   | 1,073               | 935   |
| Cash basis net assets end of year   | \$ 967              | 1,073 |

Total governmental activities receipts for the fiscal year were approximately \$1,694,000 compared to \$1,986,000 last year. This decrease was due to less funds received in grants, local option sales taxes and property taxes.

The cost of all governmental activities this year was approximately \$1,850,000 compared to \$1,898,000 last year. This was due primarily to less snow removal during a mild winter and switching from a self to fully insured health plan.

Total business type activities charges for service receipts for the fiscal year were approximately \$585,000 compared to \$591,000 last year. The cash balance decreased approximately \$47,000 from the prior year. The decrease was primarily due to the transfer of \$50,000 to the General Fund, and \$18,000 less revenues.

The following table shows the changes in cash balances for business-type activities.

| Changes in Cash Basis Net Assets of Business Type Activities<br>(Expressed in Thousands) |                     |             |
|--|---------------------|-------------|
|  | Year ended June 30, |             |
|  | 2012                | 2011        |
| Receipts:  |                     |             |
| Program receipts:  |                     |             |
| Charges for service:   |                     |             |
| Water  | \$ 236              | 231         |
| Sewer  | 349                 | 360         |
| Operating grants   | -                   | 6           |
| Other miscellaneous receipts   | 32                  | 38          |
| Total receipts   | <u>617</u>          | <u>635</u>  |
| Disbursements:   |                     |             |
| Water  | 230                 | 230         |
| Sewer  | 384                 | 380         |
| Total disbursements  | <u>614</u>          | <u>610</u>  |
| Change in cash basis net assets before transfers   | 3                   | 25          |
| Transfers, net   | <u>(50)</u>         | <u>(50)</u> |
| Change in cash basis net assets  | (47)                | (25)        |
| Cash basis net assets beginning of year  | <u>149</u>          | <u>174</u>  |
| Cash basis net assets end of year  | <u>\$ 102</u>       | <u>149</u>  |

The business-type activities receipts decreased by approximately \$18,000. Expenditures increased by approximately \$4,000.

#### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Audubon completed the year, its governmental funds reported a combined fund balance of \$967,421, a decrease of \$107,464 from last year's balance of \$1,074,885. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$8,331 to \$475,388. This increase is primarily due to a transfer in of \$50,000 from the Water Utility.
- The Special Revenue, Road Use Tax fund cash balance decreased \$26,869 to (\$14,875). The decrease is due to one additional employee in summer of 2011 and the payout of accumulated vacation, etc. when an employee retired.
- The Special Revenue, Employee Benefits Fund cash balance increased \$30,521 to \$37,142. The increase is due to changing from self to fully insured health plan.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$62,987 to \$323,613. The decrease is due to high fuel costs, a truck purchase and street overlay projects.
- The Debt Service Fund decreased \$280 to \$8,960.
- The Capital Projects Fund cash balance remained at \$186,162.
- The Permanent Fund, Cemetery Trust cash balance increased \$3,910 to \$108,308.

## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance decreased \$17,601 to \$133,886 due primarily to a transfer of \$50,000 to the General Fund.

The Sewer Fund cash balance decreased \$29,273 to (\$41,729) due primarily to rates not being set high enough to support normal expenses, plus debt repayment.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved May 29, 2012, and resulted in an increase in disbursements of \$114,375.

The City's receipts were \$110,464 more than budgeted. This was due to grant funds received for the Neighborhood Stabilization Program, police equipment, and stage project.

With the amendment, total disbursements were \$131,476 less than budgeted. The actual disbursements for public works were \$63,303 less than the amended budget due to street and curb maintenance work were done later in the year than anticipated.

## DEBT ADMINISTRATION

On June 30, 2012, the City had \$3,014,000 in long-term debt outstanding, compared to \$3,316,000 last year, as shown below.

|   | Outstanding Debt at Year-End<br>(Expressed in Thousands) |              |
|---|--|--------------|
|   | Year ended June 30,                                      |              |
|   | 2012   | 2011         |
| General obligation notes                            | \$ 1,260   | 1,375        |
| Urban renewal tax increment financing revenue notes | 140  | 205          |
| Revenue notes                                       | 1,614  | 1,736        |
|   | <u>\$ 3,014</u>  | <u>3,316</u> |

The Constitution of the State of Iowa limits the general obligation debt cities can issue to 5% of the assessed valuation of all taxable property within the City's corporate limits. The City's outstanding debt of approximately \$1.4 million is well below the constitutional debt limit of \$3.8 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. The fluctuation of prices for vehicle fuel, gas and electric utilities, and health insurance costs causes our expenditures to vary widely from year to year. And the up and down of our property valuations make our tax income quite variable. These expense and receipt variables, along with local needs and wants, and the overall local economy, are all considered when setting tax rates and other fees.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact Lora Hansen, City Clerk, 410 North Park Place, Audubon, Iowa 50025.

**City of Audubon**  
**Basic Financial Statements**

City of Audubon  
Statement of Activities and Net Assets – Cash Basis  
As of and for the year ended June 30, 2012

|                                    |               | Program Receipts    |  |
|------------------------------------|---------------|---------------------|--|
|                                    | Disbursements | Charges for Service | Operating Grants Contributions and Restricted Interest |
| <b>Functions/Programs:</b>         |               |                     |  |
| Governmental activities:           |               |                     |  |
| Public safety                      | \$ 403,733    | 2,732               | 21,671   |
| Public works                       | 729,120       | 206,839             | 208,267  |
| Health and social services         | 1,000         | -                   | -  |
| Culture and recreation             | 273,275       | 47,209              | 46,257   |
| Community and economic development | 55,436        | 4,645               | -  |
| General government                 | 137,377       | 2,649               | 110,934  |
| Debt service                       | 250,565       | -                   | -  |
| Total governmental activities      | 1,850,506     | 264,074             | 387,129  |
| Business type activities:          |               |                     |  |
| Water                              | 230,129       | 236,024             | -  |
| Sewer                              | 384,041       | 348,912             | -  |
| Total business type activities     | 614,170       | 584,936             | -  |
| Total                              | \$ 2,464,676  | 849,010             | 387,129  |

**General Receipts:**

Property tax levied for:  
    General purposes  
    Employee benefits  
    Debt service  
Tax increment financing  
Local option sales tax  
Grants and contributions not restricted  
    to specific purpose  
Unrestricted interest on investments  
Miscellaneous  
Transfers  
    Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:

Nonexpendable:

    Cemetery perpetual care

Expendable:

    Employee benefits

    Street construction and repair

    Capital projects

    Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Net (Disbursement) Receipts and Changes in  
Cash Basis Net Assets

| Governmental<br>Activities | Business Type<br>Activities | Total       |
|----------------------------|-----------------------------|-------------|
| (379,330)                  | -                           | (379,330)   |
| (314,014)                  | -                           | (314,014)   |
| (1,000)                    | -                           | (1,000)     |
| (179,809)                  | -                           | (179,809)   |
| (50,791)                   | -                           | (50,791)    |
| (23,794)                   | -                           | (23,794)    |
| (250,565)                  | -                           | (250,565)   |
| (1,199,303)                | -                           | (1,199,303) |
| -                          | 5,895                       | 5,895       |
| -                          | (35,129)                    | (35,129)    |
| -                          | (29,234)                    | (29,234)    |
| (1,199,303)                | (29,234)                    | (1,228,537) |
|                            |                             |             |
| \$ 451,858                 | -                           | 451,858     |
| 206,003                    | -                           | 206,003     |
| 176,785                    | -                           | 176,785     |
| 44,681                     | -                           | 44,681      |
| 148,576                    | -                           | 148,576     |
| 3,820                      | -                           | 3,820       |
| 1,297                      | 400                         | 1,697       |
| 9,266                      | 31,960                      | 41,226      |
| 50,000                     | (50,000)                    | -           |
| 1,092,286                  | (17,640)                    | 1,074,646   |
| (107,017)                  | (46,874)                    | (153,891)   |
| 1,073,955                  | 148,986                     | 1,222,941   |
| \$ 966,938                 | 102,112                     | 1,069,050   |
|                            |                             |             |
| \$ 108,308                 | -                           | 108,308     |
| 37,142                     | -                           | 37,142      |
| 323,613                    | -                           | 323,613     |
| 186,162                    | -                           | 186,162     |
| 43,614                     | -                           | 43,614      |
| 268,099                    | 102,112                     | 370,211     |
| \$ 966,938                 | 102,112                     | 1,069,050   |

City of Audubon  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances - Governmental Funds  
As of and for the year ended June 30, 2012

|   | General    | Special Revenue    |                      |                              |
|---|------------|--------------------|----------------------|------------------------------|
|   |            | Road<br>Use<br>Tax | Employee<br>Benefits | Local<br>Option<br>Sales Tax |
| Receipts  |            |                    |                      |                              |
| Property tax  | \$ 406,715 | -                  | 194,993              | -                            |
| Tax increment financing collections                           | -          | -                  | -                    | -                            |
| Other city tax  | 45,143     | -                  | 11,010               | 148,576                      |
| Licenses and permits  | 2,649      | -                  | -                    | -                            |
| Use of money and property                                     | 19,717     | -                  | -                    | -                            |
| Intergovernmental   | 86,910     | 206,396            | -                    | -                            |
| Charges for service   | 244,848    | -                  | -                    | -                            |
| Special assessments   | -          | -                  | -                    | -                            |
| Miscellaneous   | 93,100     | 1,871              | -                    | -                            |
| Total receipts  | 899,082    | 208,267            | 206,003              | 148,576                      |
| Disbursements   |            |                    |                      |                              |
| Operating:  |            |                    |                      |                              |
| Public safety   | 323,254    | -                  | 80,479               | -                            |
| Public works  | 202,397    | 235,136            | 80,024               | 211,563                      |
| Health and social services                                    | 1,000      | -                  | -                    | -                            |
| Culture and recreation  | 257,394    | -                  | 4,706                | -                            |
| Community and economic development                            | 29,155     | -                  | -                    | -                            |
| General government  | 127,551    | -                  | 10,273               | -                            |
| Debt service  | -          | -                  | -                    | -                            |
| Total disbursements   | 940,751    | 235,136            | 175,482              | 211,563                      |
| Excess (deficiency) of receipts over<br>(under) disbursements | (41,669)   | (26,869)           | 30,521               | (62,987)                     |
| Other financing sources:                                      |            |                    |                      |                              |
| Operating transfers in  | 50,000     | -                  | -                    | -                            |
| Net change in cash balances                                   | 8,331      | (26,869)           | 30,521               | (62,987)                     |
| Cash balances beginning of year                               | 467,388    | 11,994             | 6,621                | 386,600                      |
| Cash balances end of year                                     | \$ 475,719 | (14,875)           | 37,142               | 323,613                      |
| <b>Cash Basis Fund Balances</b>                               |            |                    |                      |                              |
| Nonexpendable - cemetery perpetual care                       | \$ -       | -                  | -                    | -                            |
| Restricted for:   |            |                    |                      |                              |
| Streets   | -          | -                  | -                    | 323,613                      |
| Employee benefits   | -          | -                  | 37,142               | -                            |
| Debt service  | -          | -                  | -                    | -                            |
| Capital projects  | -          | -                  | -                    | -                            |
| Other purposes  | -          | -                  | -                    | -                            |
| Assigned for park projects                                    | 140,096    | -                  | -                    | -                            |
| Unrestricted  | 335,623    | (14,875)           | -                    | -                            |
| Total cash basis fund balances                                | \$ 475,719 | (14,975)           | 37,142               | 323,613                      |

See notes to financial statement

**Exhibit B**

| Debt<br>Service | Capital<br>Projects | Permanent         |           | Total     |
|-----------------|---------------------|-------------------|-----------|-----------|
|                 |                     | Cemetery<br>Trust | Nonmajor  |           |
| 167,558         | -                   | -                 | -         | 769,266   |
| -               | -                   | -                 | 44,681    | 44,681    |
| 9,227           | -                   | -                 | -         | 213,956   |
| -               | -                   | -                 | -         | 2,649     |
| -               | -                   | -                 | -         | 19,717    |
| -               | -                   | -                 | -         | 293,306   |
| -               | -                   | -                 | -         | 244,848   |
| -               | -                   | -                 | 4,645     | 4,645     |
| -               | -                   | 3,910             | 1,540     | 100,421   |
| 176,785         | -                   | 3,910             | 50,866    | 1,693,489 |
| -               | -                   | -                 | -         | 403,733   |
| -               | -                   | -                 | -         | 729,120   |
| -               | -                   | -                 | -         | 1,000     |
| -               | -                   | -                 | 11,175    | 273,275   |
| -               | -                   | -                 | 26,281    | 55,436    |
| -               | -                   | -                 | -         | 137,824   |
| 177,065         | -                   | -                 | 73,500    | 250,565   |
| 177,065         | -                   | -                 | 110,956   | 1,850,953 |
| (280)           | -                   | 3,910             | (60,090)  | (157,464) |
| -               | -                   | -                 | -         | 50,000    |
| (280)           | -                   | 3,910             | (60,090)  | (107,464) |
| 9,240           | 186,162             | 104,398           | (97,518)  | 1,074,885 |
| 8,960           | 186,162             | 108,308           | (157,608) | 967,421   |
| -               | -                   | 108,308           | -         | 108,308   |
| -               | -                   | -                 | -         | 323,613   |
| -               | -                   | -                 | -         | 37,142    |
| 8,960           | -                   | -                 | -         | 8,960     |
| -               | 186,162             | -                 | -         | 186,162   |
| -               | -                   | -                 | 43,614    | 43,614    |
| -               | -                   | -                 | -         | 140,096   |
| -               | -                   | -                 | (201,222) | 119,526   |
| 8,960           | 186,162             | 108,308           | (157,608) | 967,421   |



City of Audubon  
 Reconciliation of the Statement of Cash  
 Receipts, Disbursements and Changes in Cash Balances  
 to the Statement of Activities and Net Assets -  
 Governmental Funds  
 As of and for the year ended June 30, 2012

|   |    |         |
|---|----|---------|
| <b>Total governmental funds cash balances</b> | \$ | 967,421 |
|---|----|---------|

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

(483)

|   |    |                |
|---|----|----------------|
| <b>Cash basis net assets of governmental activities</b> | \$ | <u>966,938</u> |
|---|----|----------------|

|                                    |    |           |
|------------------------------------|----|-----------|
| <b>Net change in cash balances</b> | \$ | (107,464) |
|------------------------------------|----|-----------|

*Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

447

|  |    |                  |
|--|----|------------------|
| <b>Change in cash balance of governmental activities</b> | \$ | <u>(107,017)</u> |
|--|----|------------------|

City of Audubon  
Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds  
As of and for the year ended June 30, 2012

|   | Enterprise Funds |           |           | Internal<br>Service Fund |
|---|------------------|-----------|-----------|--------------------------|
|   | Water            | Sewer     | Total     | Employee<br>Health       |
| Operating receipts:   |                  |           |           |                          |
| Use of money and property                                     | \$ -             | -         | -         | 5                        |
| Charges for service   | 236,024          | 348,912   | 584,936   | -                        |
| Miscellaneous   | -                | -         | -         | 442                      |
| Total operating receipts                                      | 236,024          | 348,912   | 584,936   | 447                      |
| Operating disbursements:                                      |                  |           |           |                          |
| Governmental activities:                                      |                  |           |           |                          |
| Public safety   | -                | -         | -         | -                        |
| Public works  | -                | -         | -         | -                        |
| General government  | -                | -         | -         | -                        |
| Business type activities                                      | 230,129          | 210,111   | 440,240   | -                        |
| Total operating disbursements                                 | 230,129          | 210,111   | 440,240   | -                        |
| Excess of operating receipts over<br>operating disbursements  | 5,895            | 138,801   | 144,696   | 447                      |
| Non-operating receipts:                                       |                  |           |           |                          |
| Interest on investments                                       | 138              | 262       | 400       | -                        |
| Miscellaneous   | 26,366           | 5,594     | 31,960    | -                        |
| Debt service  | -                | (173,930) | (173,930) | -                        |
| Total non-operating receipts                                  | 26,504           | (168,074) | (141,570) | -                        |
| Excess (deficiency) of receipts over<br>(under) disbursements | 32,399           | (29,273)  | 3,126     | 447                      |
| Other financing sources (uses):                               |                  |           |           |                          |
| Operating transfers out                                       | (50,000)         | -         | (50,000)  | -                        |
| Net change in cash balances                                   | (17,601)         | (29,273)  | (46,874)  | 447                      |
| Cash balances beginning of year                               | 151,487          | (12,456)  | 139,031   | 9,025                    |
| Cash balances end of year                                     | \$ 133,886       | (41,729)  | 92,157    | 9,472                    |
| <b>Cash Basis Fund Balances</b>                               |                  |           |           |                          |
| Unrestricted  | \$ 133,886       | (41,729)  | 92,157    | 9,472                    |

See notes to financial statements

City of Audubon  
 Reconciliation of the Statement of Cash Receipts, Disbursements  
 and Changes in Cash Balances  
 to the Statement of Activities and Net Assets –  
 Proprietary Funds  
 As of and for the year ended June 30, 2012

|   |           |
|---|-----------|
| <b>Total enterprise funds cash balances</b> | \$ 92,157 |
|---|-----------|

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the cost of partial self funding of the City's health insurance benefit plan to individual funds. The assets of the Internal Service Fund are included in business type activities in the Statement of Net Assets.

9,955

|  |                   |
|--|-------------------|
| <b>Cash basis net assets of business type activities</b> | \$ <u>102,112</u> |
|--|-------------------|

|                                    |             |
|------------------------------------|-------------|
| <b>Net change in cash balances</b> | \$ (46,874) |
|------------------------------------|-------------|

*Amounts reported for business type activities in the Statement of Activities and Net Assets are different because:*

The Internal Service Fund is used by management to charge the cost of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with business type activities.

-

|   |                    |
|---|--------------------|
| <b>Change in cash balance of business type activities</b> | \$ <u>(46,874)</u> |
|---|--------------------|

**City of Audubon**

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies**

The City of Audubon is a political subdivision of the State of Iowa located in Audubon County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Audubon has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City participates in jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City representatives are members of the following boards and commissions: Audubon County Assessor's Conference Board, Audubon County Emergency Management Commission, Audubon County E911 Board, Audubon County Solid Waste Management Commission and Audubon County Airport Authority.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies - Continued**

**B. Basis of Presentation - Continued**

The Employee Benefits Fund accounts for the tax levy to support City employee benefits.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for street construction and repairs.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of principal and interest on the City's general long term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through the Enterprise Funds.

The Permanent Fund – Cemetery Trust is used to report resources that are legally restricted to the extent that only earnings and not principal may be used for cemetery care.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City, and provided to other departments or agencies on a cost reimbursement basis.

**C. Measurement Focus and Basis of Accounting**

The City of Audubon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies – Continued**

**C. Measurement Focus and Basis of Accounting- Continued**

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Governmental Cash Basis Fund Balances:**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

**E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the general government function.



City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (1) Summary of Significant Accounting Policies – Continued**

**F. Property Tax Calendar**

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2010, to compute the amounts which became liens on property on July 1, 2011. These taxes were due and payable in two installments on September 30, 2011 and March 31, 2012, at the Audubon County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

**NOTE (2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash, which consists of cash in bank and certificates of deposit, totaled \$1,069,050.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board (GASB) No. 3, as amended by Statement No. 40.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable**

Annual debt service requirements to maturity of general obligation bonds and notes, urban renewal tax increment financing revenue bonds, and revenue notes are as follows:

| Year Ended<br>June 30, | General<br>Obligation<br>Bonds<br>Principal | Urban Renewal<br>Tax Increment<br>Financing (TIF)<br>Revenue Bonds<br>Principal | Revenue<br>Notes<br>Principal | Total<br>Principal |
|------------------------|---|---|-------------------------------|--------------------|
| 2013                   | \$ 120,000                                  | \$ 70,000   | \$ 125,000                    | \$ 315,000         |
| 2014                   | 125,000                                     | 70,000  | 129,000                       | 324,000            |
| 2015                   | 135,000                                     | -   | 133,000                       | 268,000            |
| 2016                   | 140,000                                     | -   | 138,000                       | 278,000            |
| 2017                   | 95,000                                      | -   | 142,000                       | 237,000            |
| 2018-2022              | 525,000                                     | -   | 773,000                       | 1,298,000          |
| 2023                   | 120,000                                     | -   | 169,000                       | 289,000            |
| Total                  | \$ 1,260,000                                | \$ 140,000  | \$ 1,609,000                  | \$ 3,009,000       |

| Year Ended<br>June 30, | Interest   | Interest | Interest   | Interest   |
|------------------------|------------|----------|------------|------------|
| 2013                   | \$ 55,675  | \$ 5,530 | \$ 48,270  | \$ 109,475 |
| 2014                   | 50,151     | 2,800    | 44,520     | 97,471     |
| 2015                   | 44,361     | -        | 40,650     | 85,011     |
| 2016                   | 38,092     | -        | 36,660     | 74,752     |
| 2017                   | 32,252     | -        | 32,520     | 64,772     |
| 2018-2022              | 98,290     | -        | 96,270     | 194,560    |
| 2023                   | 5,400      | -        | 5,070      | 10,470     |
| Total                  | \$ 324,221 | \$ 8,330 | \$ 303,960 | \$ 636,511 |

The Code of Iowa requires that principal and interest on general obligation bonds be paid from the Debt Service Fund.

Urban Renewal Tax Increment Financing Revenue Bonds

The City issued \$620,000 of urban renewal tax increment financing revenue bonds in January 2004 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for the purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (3) Bonds and Notes Payable - Continued**

the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$148,330, payable through June 2014. For the current year, principal and interest paid and total TIF receipts were \$73,000 and \$49,326, respectively.

The City has a general obligation debt limit of approximately \$3,820,000 which was not exceeded during the year ended June 30, 2012.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,066,000 in sewer revenue notes issued in September 2002, and \$600,000 in sewer revenue notes issued in December 2003. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2023. Annual principal and interest payments on the notes were more than 125 percent of the net receipts. The total principal and interest remaining to be paid on the notes is \$1,912,960. For the current year, principal and interest paid and total customer net receipts were \$173,930 and \$138,801, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the sewer enterprise activity, and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to the sewer revenue note sinking account for the purpose of making the note principal and interest payments when due.

The resolution providing for the issuance of the \$600,000 revenue note includes the additional provision:

- c) Additional monthly transfers of 25% of the amount required to be deposited in the sewer sinking account shall be made to the sewer reserve account until a specific minimum balance has been accumulated. The account is reserved for payment of principal and interest should the sinking account have insufficient money available.

The City's net sewer receipts were insufficient to service operations and debt service requirements.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010, were \$40,119, \$35,340, and \$31,738, respectively, equal to the required contributions for each year.

**NOTE (5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2012, primarily relating to the General and Enterprise Funds, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|---------------|
| Vacation               | \$16,136      |

The liability has been computed based on rates of pay as of June 30, 2012.

**NOTE (6) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u>    |
|--------------------|----------------------|------------------|
| General            | Enterprise:<br>Water | \$ <u>50,000</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse resources.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (7) Commitments**

Cemetery Contracts – The City has contracted for the upkeep of one cemetery through March 2013, for an annual cost of \$8,589, and mowing of another cemetery through March 2013, for an annual cost of \$13,296.

City Mowing Contract – The City has contracted for the upkeep of City grounds through February 2013, for an annual cost of \$8,400.

Water and Wastewater Operation Contract – The City has contracted for operations of the waterworks and wastewater treatment facilities through December 31, 2017 for an approximate annual cost of \$150,000, to be adjusted each April for inflation.

Solid Waste and Recyclables Hauling Contract – The City has contracted for solid waste and recyclable pickup within the City for a monthly cost of \$8,700 through December 2013.

**NOTE (8) Risk Management**

The City of Audubon is exposed to various risks of loss related to torts: theft, damage to and destruction of assets; errors and omission; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liabilities for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE (9) Deficit Fund Balance**

At June 30, 2012, the City had the following deficit balances:

|                             |                   |
|-----------------------------|-------------------|
| Special Revenue Fund:       |                   |
| Road Use Tax                | \$ 14,875         |
| Urban Renewal Tax Increment | 201,222           |
| Proprietary Fund:           |                   |
| Sewer                       | <u>41,729</u>     |
|                             | \$ <u>257,826</u> |

The Road Use Tax Fund deficit will be eliminated with road use tax collections.

The Urban Renewal Tax Increment Fund deficit will be eliminated with the receipts from tax increment financing collections. The City has increased sewer rates effective July 2012.

City of Audubon  
Notes to Financial Statements  
June 30, 2012

**NOTE (10) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with United Healthcare. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$676 for single coverage and \$1,395 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, there were no plan members eligible for benefits.

**NOTE (11) Subsequent Events**

In July 2012, the City approved street repairs totaling approximately \$84,000.

In September 2012, the City issued \$620,000 in general obligation notes for airport and water system repairs, and \$965,000 general obligation refunding notes of the September 2008 streetscape notes.

### **Other Information**

City of Audubon  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances -  
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds  
 Other Information  
 Year ended June 30, 2012

|   | Governmental<br>Funds<br>Actual | Proprietary<br>Funds<br>Actual | Less Funds<br>not Required<br>to be Budgeted |
|---|---------------------------------|--------------------------------|--|
| Receipts  |                                 |                                |  |
| Property tax  | \$ 769,266                      | -                              | -  |
| Tax increment financing collections   | 44,681                          | -                              | -  |
| Other city tax  | 213,956                         | -                              | -  |
| Licenses and permits  | 2,649                           | -                              | -  |
| Use of money and property   | 19,717                          | 405                            | 5  |
| Intergovernmental   | 293,306                         | -                              | -  |
| Charges for service   | 244,848                         | 584,936                        | -  |
| Special assessments   | 4,645                           | -                              | -  |
| Miscellaneous   | 100,421                         | 32,402                         | 442  |
| Total receipts  | <u>1,693,489</u>                | <u>617,743</u>                 | <u>447</u>                                   |
| Disbursements   |                                 |                                |  |
| Public safety   | 403,733                         | -                              | -  |
| Public works  | 729,120                         | -                              | -  |
| Health and social services  | 1,000                           | -                              | -  |
| Culture and recreation  | 273,275                         | -                              | -  |
| Community and economic development  | 55,436                          | -                              | -  |
| General government  | 137,824                         | -                              | -  |
| Debt service  | 250,565                         | -                              | -  |
| Capital projects  | -                               | -                              | -  |
| Business type activities  | -                               | 614,170                        | -  |
| Total disbursements   | <u>1,850,953</u>                | <u>614,170</u>                 | <u>-</u>                                     |
| Excess (deficiency) of receipts over<br>(under) disbursements   | (157,464)                       | 3,573                          | 447  |
| Other financing sources, net  | <u>50,000</u>                   | <u>(50,000)</u>                | <u>-</u>                                     |
| Excess (deficiency) of receipts and<br>other financing sources over (under)<br>Disbursements and other financing uses | (107,464)                       | (46,427)                       | 447  |
| Balances beginning of year  | <u>1,074,885</u>                | <u>148,056</u>                 | <u>9,025</u>                                 |
| Balances end of year  | <u>\$ 967,421</u>               | <u>101,629</u>                 | <u>9,472</u>                                 |

See accompanying independent auditors' report



| Net       | Budgeted Amounts |           | Final<br>To Net<br>Variance |
|-----------|------------------|-----------|-----------------------------|
|           | Original         | Final     |                             |
| 769,266   | 770,179          | 813,651   | (44,385)                    |
| 44,681    | 39,000           | 42,000    | 2,681                       |
| 213,956   | 183,472          | 140,000   | 73,956                      |
| 2,649     | 8,200            | 8,200     | (5,551)                     |
| 20,117    | 21,000           | 19,700    | 417                         |
| 293,306   | 212,000          | 243,000   | 50,306                      |
| 829,784   | 798,000          | 780,000   | 49,784                      |
| 4,645     | -                | -         | 4,645                       |
| 132,381   | 126,300          | 153,770   | (21,389)                    |
| 2,310,785 | 2,158,151        | 2,200,321 | 110,464                     |
| 403,733   | 392,480          | 418,580   | 14,847                      |
| 729,120   | 749,123          | 792,423   | 63,303                      |
| 1,000     | -                | 1,000     | -                           |
| 273,275   | 264,995          | 295,620   | 22,345                      |
| 55,436    | 29,155           | 59,155    | 3,719                       |
| 137,824   | 103,550          | 131,400   | (6,424)                     |
| 250,565   | 300,566          | 250,566   | 1                           |
| -         | 5,000            | 5,000     | 5,000                       |
| 614,170   | 637,355          | 642,855   | 28,685                      |
| 2,465,123 | 2,482,224        | 2,596,599 | 131,476                     |
| (154,338) | (324,073)        | (396,278) | 241,940                     |
| -         | -                | -         | -                           |
| (154,338) | (324,073)        | (396,278) | 241,940                     |
| 1,213,916 | 685,951          | 1,222,941 | (9,025)                     |
| 1,059,578 | 361,878          | 826,663   | 232,915                     |

City of Audubon  
Notes to Other Information – Budgetary Reporting  
June 30, 2012

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$114,375. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements exceeded the amended budgeted amount in the general government function.

### **Supplementary Information**

City of Audubon  
Schedule of Cash Receipts, Disbursements, and Changes in  
Cash Balances - Nonmajor Governmental Funds  
Year ended June 30, 2012

|                                     | Special Revenue                   |                   |           |
|-------------------------------------|-----------------------------------|-------------------|-----------|
|                                     | Urban<br>Renewal Tax<br>Increment | Cemetery<br>Trust | Total     |
| Receipts                            |                                   |                   |           |
| Tax increment financing collections | \$ 44,681                         | -                 | 44,681    |
| Special assessments                 | 4,645                             | -                 | 4,645     |
| Miscellaneous                       | -                                 | 1,540             | 1,540     |
| Total receipts                      | 49,326                            | 1,540             | 50,866    |
| Disbursements                       |                                   |                   |           |
| Culture and recreation              | 11,175                            | -                 | 11,175    |
| Community and economic development  | 26,281                            | -                 | 26,281    |
| Debt service                        | 73,500                            | -                 | 73,500    |
| Total disbursements                 | 110,956                           | -                 | 110,956   |
| Net change in cash balances         | (61,630)                          | 1,540             | (60,090)  |
| Cash balances beginning of year     | (139,592)                         | 42,074            | (97,518)  |
| Cash balances end of year           | \$ (201,222)                      | 43,614            | (157,608) |

**Cash Basis Fund Balances**

|                 |              |        |           |
|-----------------|--------------|--------|-----------|
| Restricted for: |              |        |           |
| Cemetery        | \$ -         | 43,614 | 43,614    |
| Unrestricted    | (201,222)    | -      | (201,222) |
|                 | \$ (201,222) | 43,614 | (157,608) |

See accompanying independent auditors' report

City of Audubon  
Schedule of Indebtedness  
Year ended June 30, 2012

| Obligation  | Date of<br>Issue | Interest<br>Rates | Amount<br>Originally<br>Issued |
|---|------------------|-------------------|--------------------------------|
| General obligation bonds and notes:                           |                  |                   |                                |
| Equipment   | Sept 26, 2007    | 4.15 - 4.30 %     | \$ 350,000                     |
| Streetscape   | Sept 11, 2008    | 4.10-4.875 %      | 1,320,000                      |
| Total   |                  |                   |                                |
| Urban renewal tax increment<br>financing (TIF) revenue bonds: | Jan 1, 2004      | 3.90 - 4.00 %     | \$ 620,000                     |
| Revenue notes:  |                  |                   |                                |
| Sewer   | Sep 15, 2002     | 3.00 %            | \$ 2,066,000                   |
| Sewer   | Dec 12, 2003     | 3.00 %            | 600,000                        |
| Total   |                  |                   |                                |

See accompanying independent auditors' report

| <u>Balance<br/>Beginning<br/>of Year</u> | <u>Issued<br/>During<br/>Year</u> | <u>Redeemed<br/>During<br/>Year</u> | <u>Balance<br/>End<br/>of Year</u> | <u>Interest<br/>Paid</u> | <u>Interest<br/>Due and<br/>Unpaid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| 230,000                                  | -                                 | 40,000                              | 190,000                            | 9,673                    | -                                      |
| <u>1,145,000</u>                         | <u>-</u>                          | <u>75,000</u>                       | <u>1,070,000</u>                   | <u>51,393</u>            | <u>-</u>                               |
| <u>1,375,000</u>                         | <u>-</u>                          | <u>115,000</u>                      | <u>1,260,000</u>                   | <u>61,066</u>            | <u>-</u>                               |
| <u>205,000</u>                           | <u>-</u>                          | <u>65,000</u>                       | <u>140,000</u>                     | <u>8,000</u>             | <u>-</u>                               |
| 1,381,000                                | -                                 | 97,000                              | 1,284,000                          | 41,430                   | -                                      |
| <u>350,000</u>                           | <u>-</u>                          | <u>25,000</u>                       | <u>325,000</u>                     | <u>10,500</u>            | <u>-</u>                               |
| <u>1,731,000</u>                         | <u>-</u>                          | <u>122,000</u>                      | <u>1,609,000</u>                   | <u>51,930</u>            | <u>-</u>                               |

City of Audubon  
Bond and Note Maturities  
June 30, 2012

| General Obligation Bonds and Notes |                      |            |                      |              |              |
|------------------------------------|----------------------|------------|----------------------|--------------|--------------|
| Year Ending<br>June 30,            | Equipment            |            | Streetscape          |              |              |
|                                    | Issued Sept 26, 2007 |            | Issued Sept 11, 2008 |              |              |
|                                    | Interest<br>Rate     | Amount     | Interest<br>Rate     | Amount       | Total        |
| 2013                               | 4.15 %               | \$ 45,000  | 4.88 %               | \$ 75,000    | \$ 120,000   |
| 2014                               | 4.20 %               | 45,000     | 4.88 %               | 80,000       | 125,000      |
| 2015                               | 4.25 %               | 50,000     | 4.88 %               | 85,000       | 135,000      |
| 2016                               | 4.30 %               | 50,000     | 4.10 %               | 90,000       | 140,000      |
| 2017                               | -                    | -          | 4.20 %               | 95,000       | 95,000       |
| 2018                               | -                    | -          | 4.25 %               | 95,000       | 95,000       |
| 2019                               | -                    | -          | 4.30 %               | 100,000      | 100,000      |
| 2020                               | -                    | -          | 4.35 %               | 105,000      | 105,000      |
| 2021                               | -                    | -          | 4.40 %               | 110,000      | 110,000      |
| 2022                               | -                    | -          | 4.45 %               | 115,000      | 115,000      |
| 2023                               | -                    | -          | 4.50 %               | 120,000      | 120,000      |
| Total                              |                      | \$ 190,000 |                      | \$ 1,070,000 | \$ 1,260,000 |

| Revenue Notes           |                      |            |                      |              |              |  |
|-------------------------|----------------------|------------|----------------------|--------------|--------------|--|
| Year Ending<br>June 30, | Sewer                |            | Sewer                |              |              |  |
|                         | Issued Oct. 15, 1999 |            | Issued Feb. 28, 2003 |              |              |  |
|                         | Interest<br>Rate     | Amount     | Interest<br>Rate     | Amount       | Total        |  |
| 2013                    | 3.00 %               | \$ 25,000  | 3.00 %               | \$ 100,000   | \$ 125,000   |  |
| 2014                    | 3.00 %               | 26,000     | 3.00 %               | 103,000      | 129,000      |  |
| 2015                    | 3.00 %               | 27,000     | 3.00 %               | 106,000      | 133,000      |  |
| 2016                    | 3.00 %               | 28,000     | 3.00 %               | 110,000      | 138,000      |  |
| 2017                    | 3.00 %               | 29,000     | 3.00 %               | 113,000      | 142,000      |  |
| 2018                    | 3.00 %               | 30,000     | 3.00 %               | 116,000      | 146,000      |  |
| 2019                    | 3.00 %               | 30,000     | 3.00 %               | 120,000      | 150,000      |  |
| 2020                    | 3.00 %               | 31,000     | 3.00 %               | 123,000      | 154,000      |  |
| 2021                    | 3.00 %               | 32,000     | 3.00 %               | 127,000      | 159,000      |  |
| 2022                    | 3.00 %               | 33,000     | 3.00 %               | 131,000      | 164,000      |  |
| 2023                    | 3.00 %               | 34,000     | 3.00 %               | 135,000      | 169,000      |  |
| Total                   |                      | \$ 325,000 |                      | \$ 1,284,000 | \$ 1,609,000 |  |

See accompanying independent auditors' report

**Urban Renewal Tax Increment  
Financing (TIF) Revenue Bonds**

| Issued Jan 1, 2004 |    |                |
|--------------------|----|----------------|
| Interest<br>Rate   |    | Amount         |
| 3.90 %             | \$ | 70,000         |
| 4.00 %             |    | 70,000         |
| -                  |    | -              |
| -                  |    | -              |
| -                  |    | -              |
| -                  |    | -              |
| -                  |    | -              |
| -                  |    | -              |
| -                  |    | -              |
| -                  |    | -              |
|                    |    | <u>140,000</u> |
| \$                 |    | <u>140,000</u> |



City of Audubon  
Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds  
For the Last Eight Years

|                                     | <u>2012</u>         | <u>2011</u>      | <u>2010</u>      |
|-------------------------------------|---------------------|------------------|------------------|
| Receipts                            |                     |                  |                  |
| Property tax                        | \$ 769,268          | 826,772          | 697,584          |
| Tax increment financing collections | 44,681              | 46,293           | 128,054          |
| Other city tax                      | 213,956             | 230,636          | 213,365          |
| Licenses and permits                | 2,649               | 2,157            | 793              |
| Use of money and property           | 19,717              | 20,832           | 27,359           |
| Intergovernmental                   | 293,306             | 542,684          | 447,545          |
| Charges for service                 | 244,848             | 243,148          | 229,816          |
| Special assessments                 | 4,645               | 942              | 6,007            |
| Miscellaneous                       | <u>100,421</u>      | <u>55,676</u>    | <u>95,015</u>    |
| Total                               | \$ <u>1,693,491</u> | <u>1,969,140</u> | <u>1,845,538</u> |
| Disbursements                       |                     |                  |                  |
| Operating:                          |                     |                  |                  |
| Public safety                       | \$ 403,733          | 350,822          | 340,427          |
| Public works                        | 729,120             | 693,929          | 859,937          |
| Health and social services          | 1,000               | -                | -                |
| Culture and recreation              | 273,275             | 247,277          | 240,922          |
| Community and economic development  | 55,436              | 51,097           | 43,488           |
| General government                  | 137,824             | 302,957          | 83,128           |
| Debt service                        | 250,565             | 253,030          | 255,225          |
| Capital projects                    | <u>-</u>            | <u>-</u>         | <u>7,656</u>     |
| Total                               | \$ <u>1,850,953</u> | <u>1,899,112</u> | <u>1,830,783</u> |

See accompanying independent auditors' report

| 2009             | 2008             | 2007             | 2006             | 2005             |
|------------------|------------------|------------------|------------------|------------------|
| 591,287          | 502,392          | 450,807          | 567,388          | 533,115          |
| 31,636           | 84,848           | 144,011          | 33,901           | 150,445          |
| 219,178          | 204,702          | 175,273          | 180,157          | 224,224          |
| 466              | 508              | 1,583            | 3,307            | 2,203            |
| 38,248           | 84,618           | 58,501           | 47,753           | 20,597           |
| 562,377          | 600,094          | 254,803          | 247,524          | 265,004          |
| 209,538          | 196,688          | 202,272          | 198,176          | 196,781          |
| 4,260            | 20,706           | 31,377           | 12,686           | 11,118           |
| 106,178          | 120,924          | 165,709          | 93,564           | 247,728          |
| <u>1,763,168</u> | <u>1,815,480</u> | <u>1,484,336</u> | <u>1,384,456</u> | <u>1,651,215</u> |
| 345,091          | 487,808          | 350,862          | 296,651          | 343,759          |
| 1,031,742        | 913,310          | 606,413          | 553,816          | 579,262          |
| -                | 1,000            | 1,000            | 1,000            | 1,000            |
| 260,750          | 265,913          | 264,595          | 326,173          | 289,370          |
| 33,881           | 166,893          | 159,517          | 41,794           | 32,098           |
| 87,854           | 89,177           | 137,370          | 86,480           | 108,560          |
| 240,332          | 114,576          | 23,635           | 204,845          | 207,450          |
| 361,926          | 1,107,220        | -                | -                | 65,281           |
| <u>2,361,576</u> | <u>3,145,897</u> | <u>1,543,392</u> | <u>1,510,759</u> | <u>1,626,780</u> |

**City of Audubon**



Diane McGrain, CPA  
Jim Menard, CPA

November 18, 2012

Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the remaining fund information of the City of Audubon, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 18, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Audubon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of City of Audubon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Audubon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

Continued...

City of Audubon  
Independent Auditors' Report on  
Internal Control and Compliance

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Audubon's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Audubon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Audubon's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit City of Audubon's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Audubon and other parties to whom the City of Audubon may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Audubon during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Schuler & Associates, P.C.*

City of Audubon  
Schedule of Findings  
Year Ended June 30, 2012

**Part I: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

I-A-12 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The same person does the utility billing, cash receipts listing, bank deposits and posting of cash receipts to utility accounts. Controls over cash receipts at the swimming pool are minimal.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this. Utility customers pay mostly by check and will question if a payment is not correctly posted to their account.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Audubon  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting:**

II-A-12      Certified Budget

Comment - Disbursements during the year ended June 30, 2012, exceeded the amended budgeted amount in the general government function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered under an annual or continuing appropriation.

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion - Response accepted.

II-B-12      Entertainment Expense

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-12      Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-12      Business Transactions

No business transactions were noted between the City and City officials or employees.

II-E-12      Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-12      Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

City of Audubon  
Schedule of Findings  
Year Ended June 30, 2012

**Part II: Other Findings Related to Statutory Reporting Continued:**

II-G-12     Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-12     Revenue Note

Comment – The City has a deficit fund balance in the Sewer Fund which violates the provision of the sewer revenue bond resolution.

Recommendation – The City should establish rates which will generate user fees sufficient to service the revenue debt and the operations of the City's sanitary sewer system.

Response – We raised sewer rates again in July 2012 by 15%.

Conclusion – Response accepted.

II-I-12     Financial Condition

Comment – At June 30, 2012, the City has the following deficit fund balances:

|                             |                   |
|-----------------------------|-------------------|
| Special Revenue Fund:       |                   |
| Road Use                    | 14,875            |
| Urban Renewal Tax Increment | 201,222           |
| Proprietary Fund:           |                   |
| Sewer                       | 41,724            |
|                             | <u>          </u> |
|                             | \$ 257,826        |

Recommendation – The City should monitor the activity in these funds in order to eliminate the deficits.

Response – We will eliminate the deficits with road use tax and tax increment financing collections. We have raised sewer rates again in July 2012.

Conclusion – Response accepted.

II-J-12     Inactive Capital Projects

Comment – The Capital Projects Fund – Streetscape Account is inactive.

Recommendation – The City should make the appropriate transfer to close the account.

Response – We are planning on using the funds for another capital project.

Conclusion – Response accepted.